

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1782 - SB 2656

February 25, 2018

SUMMARY OF BILL: Prohibits any county in attainment status with the United States Environmental Protection Agency (EPA) from entering into or renewing a contract for the operation of a vehicle inspection and maintenance program.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue – \$1,669,000/FY19-20 and Subsequent Years/
Environmental Protection Fund**

**Decrease Local Revenue – \$927,200/Each Year FY19-20 through FY21-22
\$3,008,100/FY22-23 and Subsequent Years**

Other Fiscal Impact – Prohibiting state and local governmental entities from conducting vehicle inspections will necessitate changes to the state implementation plan under the federal Clean Air Act (CAA). If the Environmental Protection Agency does not approve such plan changes, the state will be out of compliance with federal requirements and could be subject to sanctions under Section 179 of the CCA. In FY17-18, the state received \$1,454,683 in federal funding under the CAA.

Assumptions:

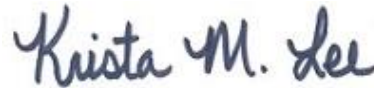
- The proposed legislation defines “attainment status” as no part of a county designated as a maintenance or nonattainment area according to the attainment-nonattainment list promulgated by the EPA.
- Currently, every county that requires vehicle inspections under an inspection and maintenance program (I/M program) is in attainment status. These counties are Davidson, Hamilton, Rutherford, Sumner, Williamson, and Wilson.
- Davison County contracts with a vendor to perform vehicle inspections. The other counties contract with the Department of Environment and Conservation (TDEC) who then contracts with a vendor.
- The proposed legislation would prohibit any future contracts with vendors for vehicle inspections.
- Under TDEC’s contract, TDEC receives \$2.80 of every inspection fee. TDEC retains \$1.80 and transmits \$1.00 to the county clerk in the applicable county.

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- Data from TDEC shows that in 2017 TDEC collected \$1,668,987 in fee revenue from vehicle inspections. TDEC's data shows the following amounts were transmitted to the appropriate county clerks:
 - Hamilton – \$286,429;
 - Rutherford – \$232,078;
 - Sumner – \$126,216;
 - Williamson – \$200,782; and
 - Wilson – \$81,710.
- Davidson County receives a portion of the inspection fee under its contract. Data provided by TDEC shows that in 2017 Davidson County collected \$2,080,900 in fee revenue from vehicle inspections. For purposes of this fiscal note, it is assumed that Davidson County's collections will remain constant in FY18-19 and subsequent fiscal years under current law.
- According to TDEC, the current state contract expires in 2019; the current Davidson County contract expires in 2022.
- The proposed legislation will decrease recurring state revenue by \$1,668.987 beginning in FY19-20 and decrease recurring local revenue by \$927,215 in each year FY19-20 through FY21-22 ($\$286,429 + \$232,078 + \$126,216 + \$200,782 + \$81,710$), and by \$3,008,115 in FY22-23 and subsequent years ($\$286,429 + \$232,078 + \$126,216 + \$200,782 + \$81,710 + \$2,080,900$)
- TDEC receives federal funding for air pollution control programs under Section 105 of the federal Clean Air Act. The Environmental Protection Agency (EPA) has the authority to impose sanctions under Section 179 of the Act, including withholding of air pollution control program funding, if the state is out of compliance with its federally approved state implementation plan.
- Prohibiting state and local governmental entities from conducting vehicle inspections will necessitate changes to the state implementation plan. If the EPA does not approve such plan changes, the state will be out of compliance with the federal requirements and could be subject to sanctions under Section 179 of the Act. In FY17-18, the state received \$1,454,683 in federal funding under the Clean Air Act.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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